



BARTEL
ASSOCIATES, LLC

CITY OF SAN RAFAEL

**Pension and OPEB
Benefit Change Estimates**

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Bartel Associates, LLC**

May 24, 2013

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BENEFITS

Pension

| | Hire Date | Formula | COLA | FAP |
|----------------------|-----------------------|---------|------|------------------------------|
| Miscellaneous | | | | |
| Tier 1 | <7/1/11 | 2.7%@55 | 3% | 1 year |
| Tier 2 | 7/1/11 - 1/1/13 | 2.0%@55 | 2% | 3 year |
| Tier 3 | ≥ 1/1/13 ¹ | 2.0%@62 | 2% | 3 year with cap ² |
| Safety | | | | |
| Tier 1 | <7/1/11 | 3.0%@55 | 3% | 1 year |
| Tier 2 | 7/1/11 - 1/1/13 | 3.0%@55 | 2% | 3 year |
| Tier 3 | ≥ 1/1/13 ¹ | 2.7%@57 | 2% | 3 year with cap ² |

¹ New members on or after 1/1/13.

² Annual compensation limited to \$136,440 in 2013; indexed with CPI in future years.



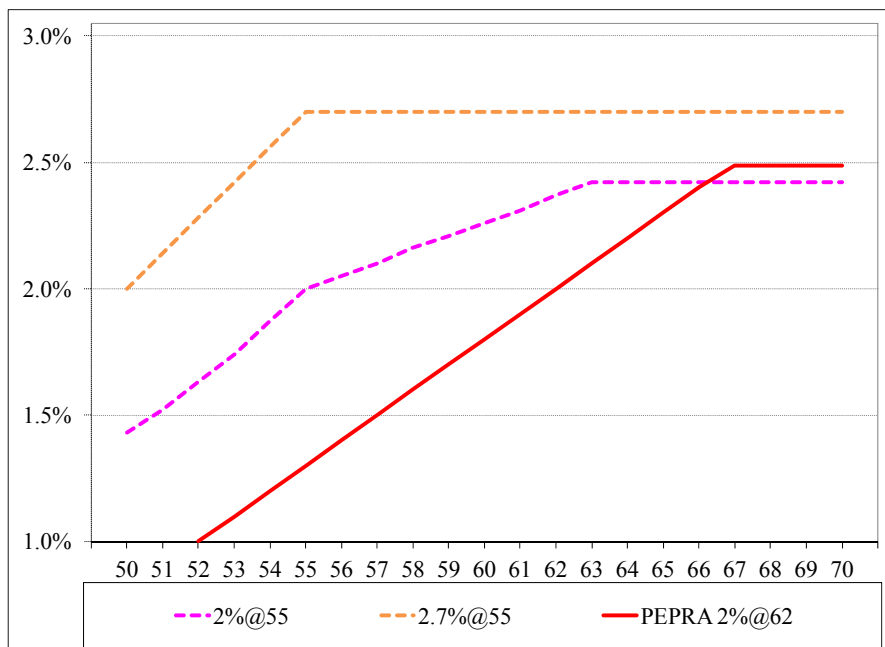
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BENEFITS

Pension

Miscellaneous Benefit Factors

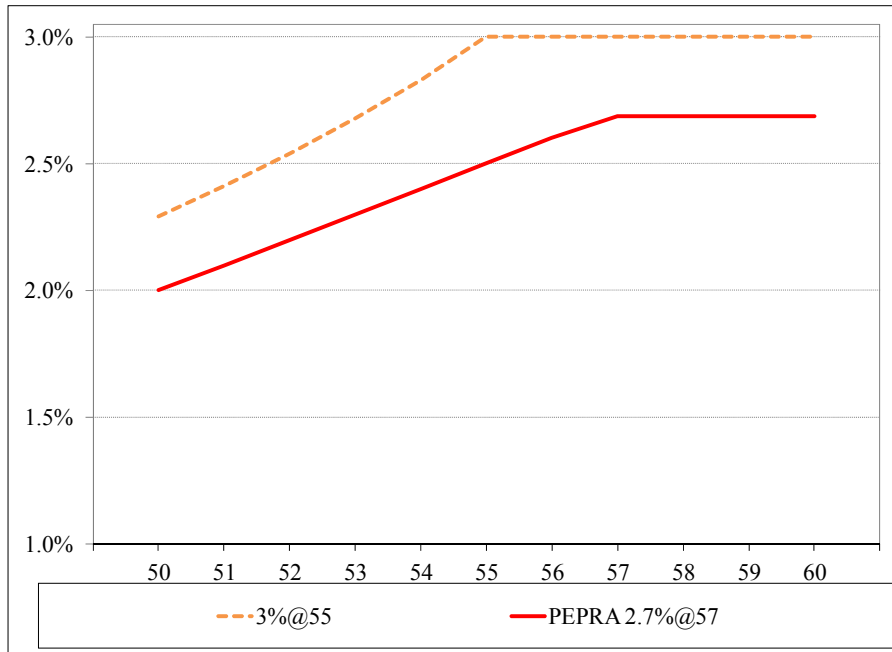


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BENEFITS

**Pension
Safety Benefit Factors**



BENEFITS

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BENEFITS

OPEB

| | Hire Date | Formula |
|---|------------------|--------------------------------------|
| Elected Officials, Unrepresented Mid Management & Management | | |
| Tier 1 | <1/1/09 | Full premium/cap |
| Tier 2 | ≥ 1/1/09 | PEMHCA Minimum (\$115/month in 2013) |
| All Other Groups | | |
| Tier 1 | <1/1/10 | Cap |
| Tier 2 | ≥ 1/1/10 | PEMHCA Minimum (\$115/month in 2013) |



BENEFITS

OPEB

| Bargaining Unit | Monthly Cap | Min Date³ |
|---|---|-----------------------------|
| SEIU Child Care Unit | \$543 | 1/1/10 |
| Unrepresented Mid-Management Employees | Retired < 12/1/01: \$442 Retired ≥ 12/1/01: Full prem Hired ≥ 4/1/07: \$600 | 1/1/09 |
| San Rafael Fire Chief Officer's Association | \$557 | 1/1/10 |
| San Rafael Firefighters' Association, I.A.F.F., Local 1775 | \$557 | 1/1/10 |
| San Rafael Police Association | \$386 | 1/1/10 |
| San Rafael Police Mid-Management Association | \$566 | 1/1/10 |
| SEIU 1021 | \$752 | 1/1/10 |
| Public Employees Bargaining Unit (PEU) Local 1 | \$659 | 1/1/10 |
| Unrepresented Management Employees and Council City Clerk and Elected Part-Time City Attorney | Hired < 4/1/07: Full prem Hired ≥ 4/1/07: \$600 | 1/1/09 |
| Western Council of Engineers (WCE) | \$752 | 1/1/10 |

³ Employees hired on or after date receive only PEMHCA minimum (\$115 in 2013).



PROJECTIONS

Data

■ MCERA Information

- June 30, 2003 actuarial valuation report
- June 30, 2006 actuarial valuation report
- June 30, 2011 actuarial valuation report

| | Misc. | Safety | Total |
|---------------------------------|----------|----------|----------|
| ➤ Active Members | 240 | 124 | 364 |
| ➤ Active Payroll (in \$000s) | \$17,555 | \$14,408 | \$31,963 |

- EFI PEPPRA Cost Analysis (dated 12/11/12)
- Tier 2 Normal Cost summary

■ OPEB Information

- June 30, 2011 GASB 45 OPEB actuarial valuation



PROJECTIONS

OPEB Savings

- Measured by benefits paid to retirees
- 2012 Council resolution freezing caps
(previously assumed annual 3.25% CPI increase)
- 2009 and 2010 Tier 2 PEMHCA minimum benefit implemented
- Benefits paid to retirees not affected by 401(h) investments



PROJECTIONS

Pension Savings

- Measured by City Normal Cost to MCERA
- Include net remaining savings/cost from benefit enhancements:
 - 2003 valuation Miscellaneous benefit increase 2%_{@58.5} to 2.7%_{@55}
(5% City payment towards employee contribution eliminated)
 - 2003 valuation Police benefit increase 2%_{@50} to 3%_{@55}
(7% City payment towards employee contribution eliminated)
 - 2006 valuation Fire benefit increase 2%_{@50} to 3%_{@55}
(7% City payment towards employee contribution eliminated)
- 7/1/11 Tier 2 plan change
- 1/1/13 PEPRAs benefit change
- 2018 increase employee contributions
 - Assumes City imposes cost sharing for current members in 2018.
 - Optional under PEPRAs
 - Approximately 0.8% for Miscellaneous, and 3% for Safety



PROJECTIONS

Methods

- Assumptions from 6/30/11 actuarial valuations:
 - 3.25% annual payroll growth
 - Payroll in 2011 MCERA report assumed for 2013/14
- Not included in calculations:
 - Savings/cost before 2013/14 not included
 - Impact of later retirement under PEPRAs not included in OPEB savings projections



PROJECTIONS

**Pension
Benefit Enhancement Cost Impact Summary⁴**

| | Normal Cost | UAAL Amortization⁵ | Total |
|-----------------|--------------------|--------------------------------------|--------------|
| ■ Miscellaneous | 3.0% | 7.2% | 10.2% |
| ■ Safety | | | |
| ● Police | 2.5% ⁶ | 8.2% | 10.7% |
| ● Fire | 2.5% | 8.4% | 10.9% |

⁴ Estimates derived from 6/30/03 (Miscellaneous and Police) and 6/30/06 (Fire) actuarial valuation reports.

⁵ Estimated using 6/30/06 (Fire) actuarial valuation impact.

⁶ Primarily due to 16 to 17 year rolling amortization method, payroll changes, and investment return, estimated 2013/14 payments are 6.7%, 8.1%, and 8.5% for Miscellaneous, Police and Fire, respectively.



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PROJECTIONS

**Pension
Normal Cost Summary**

| | City | Employee | Total |
|-------------------------------|-------------|--------------------|--------------|
| ■ Miscellaneous | | | |
| ● Hired < 7/1/11 | 13.7% | 11.0% | 24.7% |
| ● Hired 7/1/11-12/31/12 | 10.9% | 7.1% ⁷ | 18.0% |
| ● Hired ≥ 1/1/13 ⁸ | 8.4% | 8.3% | 16.7% |
| ■ Safety | | | |
| ● Hired < 7/1/11 | 20.1% | 12.0% | 32.1% |
| ● Hired 7/1/11-12/31/12 | 19.3% | 10.8% ⁹ | 30.1% |
| ● Hired ≥ 1/1/13 | 12.4% | 12.5% | 24.9% |

⁷ Estimated based on member rate for average entry age.

⁸ Normal Cost rates apply to PEPRA limited pay.

⁹ Estimated based on member rate for average entry age.

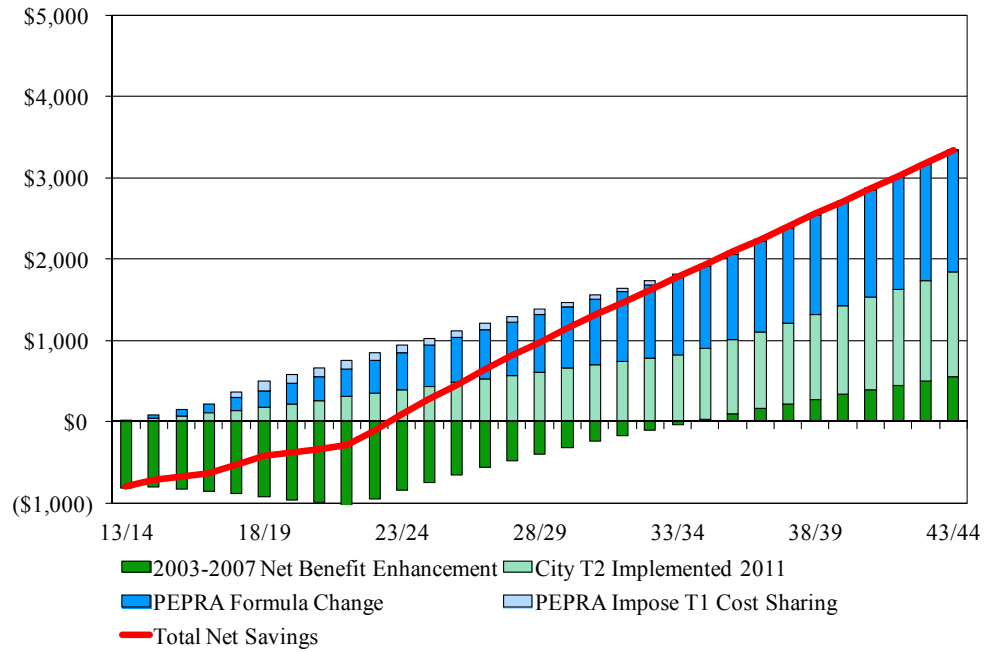


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PROJECTIONS

Pension Miscellaneous Savings (in 000's)



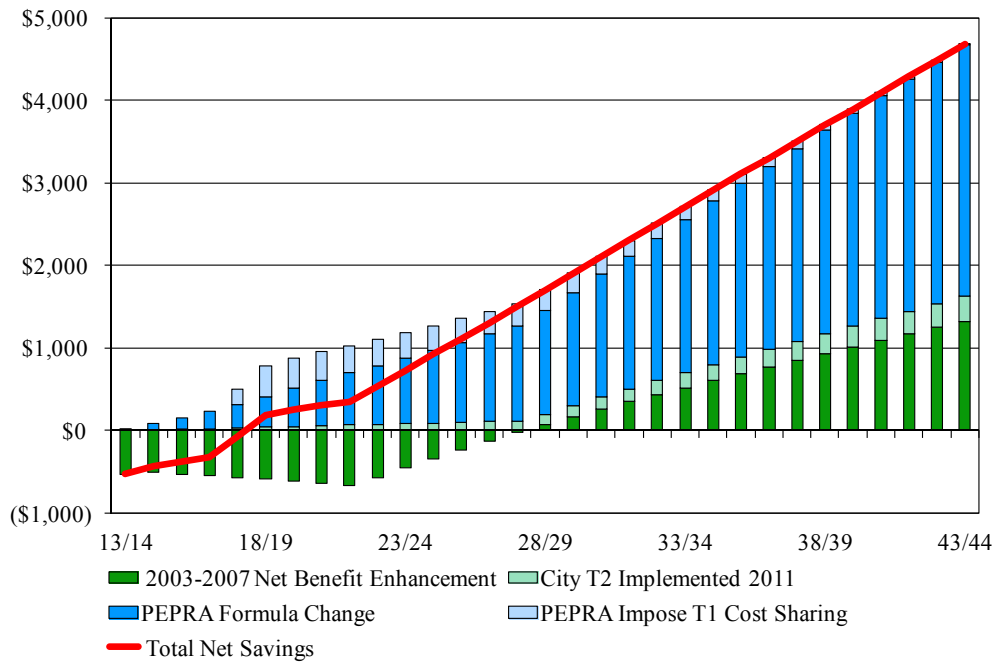
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PROJECTIONS

Pension Safety Savings (in 000's)



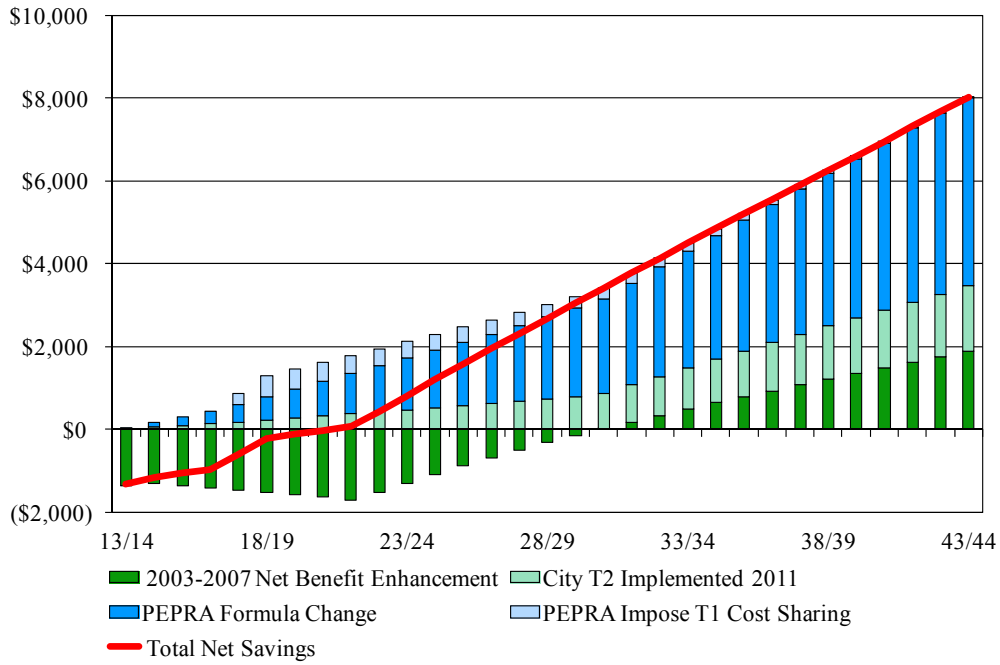
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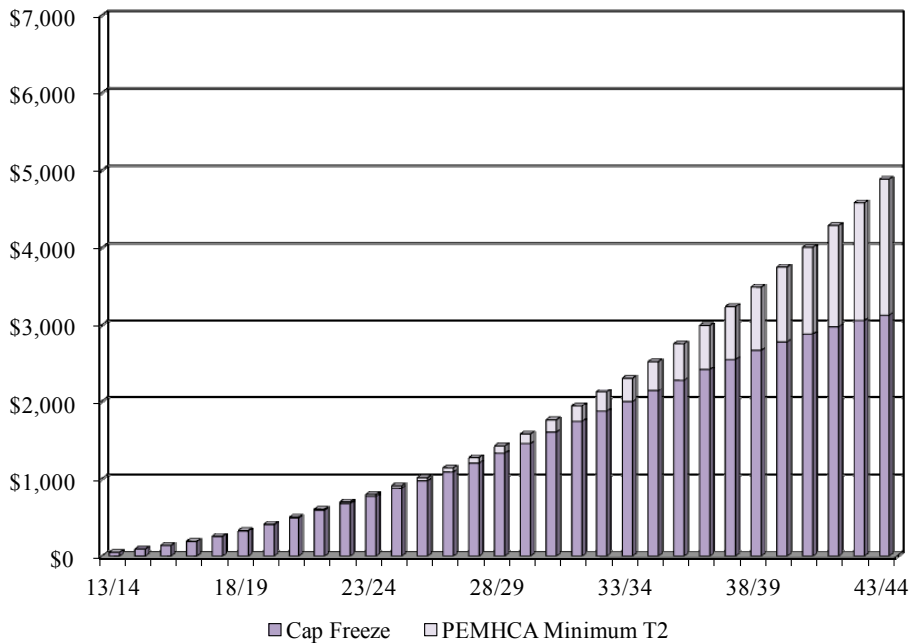
PROJECTIONS

Pension Total Savings (in 000's)



PROJECTIONS

OPEB Total Savings (in 000's)



PROJECTIONS

**Pension and OPEB
30-year Total Savings
(in 000's)**

| | Savings/(Cost) |
|--|--|
| ■ Pension <ul style="list-style-type: none"> ● 2003-2007 benefit enhancements ● Eliminate 5%/7% City contribution on member rate ● 7/1/11 Tier 2 plan change¹⁰ ● 1/1/13 PEPRA benefit change ● 2018 increased employee contributions ● Total | \$ (101,600) 93,500 21,700 60,300 <u>6,800</u> 80,700 |
| ■ OPEB <ul style="list-style-type: none"> ● 2012 Council Resolution #13344 freezing caps ● 2009 and 2010 Tier 2 PEMHCA minimum benefit ● Total | 41,900 <u>9,300</u> 51,200 |
| ■ Total | 131,900 |

¹⁰ For employees hired on or after 7/1/11, Final Average Pay changed from 1 year to 3 year average, COLA changed from 3% to 2% and Miscellaneous benefit formula changed from 2.7%@55 to 2.0%@55.



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PROJECTIONS

**Pension and OPEB
30-year Total Savings
Illustrative Present Value
(in 000's)**

| | Discount Rate | |
|------------------|----------------------|---------------|
| | 4% | 5% |
| ■ Pension | \$ 31,100 | \$24,500 |
| ■ OPEB | 22,600 | 18,700 |
| ■ Total | 53,700 | 43,200 |



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PROJECTIONS

**Pension and OPEB
Total Savings Comparison (30-year)
(in 000's)**

| | Total Projected City Payments | | Savings | |
|-----------|----------------------------------|------------------|-----------|---------|
| | Before Reforms | After Reforms | Dollar | Percent |
| ■ Pension | \$ 586,000 ¹¹ | \$ 505,000 | \$ 81,000 | 14% |
| ■ OPEB | 151,000 | 100,000 | 51,000 | 34% |
| ■ Total | 737,000 | 605,000 | 132,000 | 18% |

¹¹Estimated based on MCERA 30 year contribution projections.
Assumes EFI projections do not include impact of Tier 2.

